The Fiscal Monitor

A Publication of the Department of Finance

Highlights

April and May 2009: budgetary deficit of $7.5 billion

For the first two months of the 2009–10 fiscal year (April and May), there was a budgetary deficit of $7.5 billion, compared to a deficit of $0.9 billion reported in the same period last year. By month, there was a deficit of $4.0 billion in April and a deficit of $3.5 billion in May. For the two months together, revenues declined by $2.6 billion, or 6.9 per cent, largely reflecting lower corporate income tax and goods and services tax (GST) revenues. The revenue estimates for the first two months of the year include the impact of tax reduction measures for persons and businesses announced in Canada's Economic Action Plan.

Program expenses were up $4.4 billion, or 13.4 per cent, mainly reflecting higher Employment Insurance (EI) benefits, higher transfers to other levels of government and the impact of measures to support the automotive industry. Public debt charges declined by $0.3 billion due to a decrease in the average effective interest rate on the stock of interest-bearing debt.

Note to readers:

Beginning with this issue of *The Fiscal Monitor*, the methodology for estimating monthly energy tax and other excise tax revenues (which primarily reflects taxes on alcohol and tobacco) has been modified from the cash collection-based approach used in 2008–09 to an assessment-based approach. Correspondingly, energy tax and other excise tax revenues from 2008–09 are being restated to be consistent with the current year's methodology. While the overall impact on the fiscal year is minimal, this will have a small impact on monthly revenues and therefore the monthly budgetary balance.

In addition, the methodology for recognizing monthly fiscal transfers to provinces and territories has been modified for 2009–10 to better reflect the substance of these transactions. Fiscal transfers from 2008–09 are being restated to be consistent with the revised approach. This restatement will not have an impact on the total amount of fiscal transfers recognized for the April 2008 to March 2009 period, but will have an impact on monthly expenses and the monthly budgetary balance.

April and May 2009 budgetary results

Through the first two months of the 2009–10 fiscal year, there was a budgetary deficit of $7.5 billion, compared to a $0.9-billion deficit reported during the same period of 2008–09.

Revenues declined by $2.6 billion, or 6.9 per cent, to $34.5 billion.

- Personal income tax revenues were down $0.3 billion, or 1.5 per cent, reflecting personal income tax reductions announced in Canada's Economic Action Plan, including increases in the basic personal amount and personal income tax bracket thresholds, and the Home Renovation Tax Credit.
- Corporate income tax revenues were down $1.3 billion, or 23.5 per cent, as a result of lower installment payments in both months.
- Other income tax receipts—withholdings from non-residents—rose $0.2 billion, or 20.0 per cent.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Excise taxes and duties were down $1.5 billion, or 26.1 per cent, primarily due to a $1.4-billion, or 37.9 per cent, decline in GST revenues. As a value-added tax, the GST can yield volatile net collections on a month-to-month basis due to timing differences between GST owed to the Government and credits claimed for GST paid on inputs. Customs import duties were down $0.1 billion, energy taxes declined by $39 million, and other excise taxes and duties were down $15 million. Revenues from the Air Travellers Security Charge were virtually unchanged.
- EI premium revenues were up $0.1 billion, or 2.6 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.
- Other revenues, consisting of net profits of enterprise Crown corporations, revenues of consolidated Crown corporations, sales of goods and services, return on investments, and foreign exchange revenues, were up $0.3 billion, or 9.6 per cent.

Program expenses in the April to May 2009 period were $36.9 billion, up $4.4 billion, or 13.4 per cent, from the prior year, reflecting an increase in transfer payments, partially offset by a slight decline in operating expenses of departments and agencies.

Transfer payments increased $4.5 billion, or 20.6 per cent.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, rose $1.6 billion, or 15.7 per cent, on a year-over-year basis. Elderly benefits increased 5.5 per cent. EI benefit payments increased $1.3 billion, or 50.5 per cent, reflecting significantly higher regular benefits. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, remained relatively stable compared to the prior year.
- Major transfers to other levels of government were up $1.6 billion or 19.8 per cent over the prior year, reflecting both a $1.0-billion increase in infrastructure funding provided to Canada's cities and communities and legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization. The $1.0-billion increase in infrastructure spending is due to the accelerated payment of the previously announced doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009.
- Subsidies and other transfers were up $1.4 billion, or 34.4 per cent, largely reflecting the impact of support for the automotive industry.

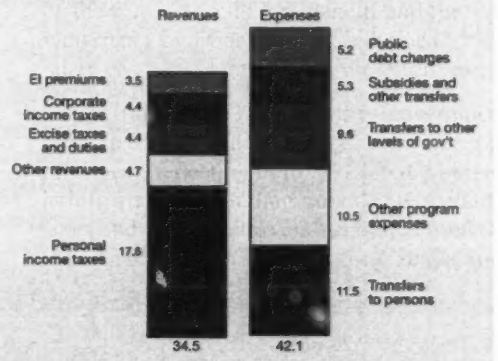
Other program expenses consist of operating expenses of Crown corporations, departments, and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. On a year-over-year basis, these expenses decreased $0.1 billion, or 1.3 per cent.

Public debt charges decreased $0.3 billion, or 4.9 per cent, largely reflecting a lower effective interest rate on the stock of interest-bearing debt.

Financial requirement of $13.1 billion for April to May 2009

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement

Revenues and expenses
(April to May 2009)



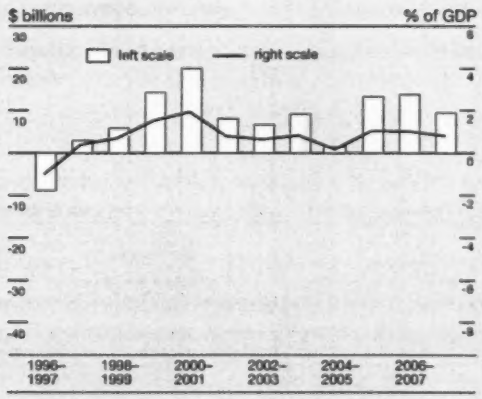
resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $7.5 billion and a requirement of $5.6 billion from non-budgetary transactions, there was a financial requirement of $13.1 billion in the April to May period of 2009–10. This was up $0.4 billion from the $12.7-billion financial requirement in the same period the previous year. The year-over-year difference is mainly attributable to the $6.7-billion decline in the budgetary balance, which was largely offset by an increased financial source from foreign exchange activities reflecting the impact of exchange rate movements on the Canadian-dollar value of foreign-denominated assets.

Net financing activities down $8.3 billion

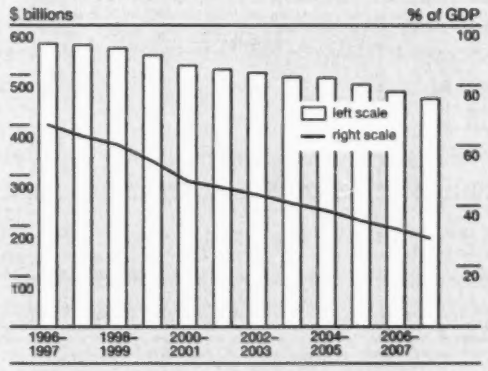
The Government financed this financial requirement of $13.1 billion and reduced market debt by $8.3 billion by reducing its cash balances by $21.4 billion. The decrease in market debt was achieved largely through a reduction in treasury bills and foreign currency borrowings. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. The decrease in cash balances mainly reflects decreased balances at the Bank of Canada to support the Bank's operations to provide liquidity to financial markets. Cash balances at the end of May 2009 stood at $23.6 billion, $10.2 billion above their level at the end of May 2008.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Table 1
Summary statement of transactions

	April		May		April to May	
	2008	2009	2008	2009	2008–2009	2009–2010
			($ millions)			
Budgetary transactions						
Revenues	18,332	17,459	18,769	17,084	37,101	34,543
Expenses						
Program expenses	-16,594	-18,781	-15,964	-18,133	-32,558	-36,914
Public debt charges	-2,813	-2,660	-2,605	-2,494	-5,418	-5,154
Budgetary balance (deficit/surplus)	-1,075	-3,982	200	-3,543	-875	-7,525
Non-budgetary transactions	-9,362	-5,247	-2,449	-320	-11,811	-5,567
Financial source/requirement	-10,437	-9,229	-2,249	-3,863	-12,686	-13,092
Net change in financing activities	6,173	-11,398	8,690	3,053	14,863	-8,345
Net change in cash balances	-4,264	-20,627	6,441	-810	2,177	-21,437
Cash balance at end of period					13,422	23,595

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	April		May		April to May		
	2008	2009	2008	2009	2008–2009	2009–2010	Change
			($ millions)				(%)
Tax revenues							
Income taxes							
Personal income tax	9,297	9,021	8,553	8,570	17,850	17,591	-1.5
Corporate income tax	2,875	2,368	2,827	1,995	5,702	4,363	-23.5
Other income tax	424	533	417	476	841	1,009	20.0
Total income tax	12,596	11,922	11,797	11,041	24,393	22,963	-5.9
Excise taxes and duties							
Goods and services tax	1,555	1,036	2,130	1,252	3,685	2,288	-37.9
Customs import duties	315	275	294	243	609	518	-14.9
Energy taxes	390	372	409	388	799	760	-4.9
Other excise taxes and duties	316	330	418	389	734	719	-2.0
Air Travellers Security Charge	38	37	36	36	74	73	-1.4
Total excise taxes and duties	2,614	2,050	3,287	2,308	5,901	4,358	-26.1
Total tax revenues	15,210	13,972	15,084	13,349	30,294	27,321	-9.8
Employment Insurance premiums	1,757	1,804	1,655	1,696	3,412	3,500	2.6
Other revenues	1,365	1,683	2,030	2,039	3,395	3,722	9.6
Total revenues	18,332	17,459	18,769	17,084	37,101	34,543	-6.9

Note: Totals may not add due to rounding.

Table 3
Budgetary expenses

	April		May		April to May		
	2008	2009	2008	2009	2008–2009	2009–2010	Change
			($ millions)				(%)
Transfer payments							
Transfers to persons							
Elderly benefits	2,700	2,836	2,705	2,864	5,405	5,700	5.5
Employment Insurance benefits	1,456	1,868	1,026	1,867	2,482	3,735	50.5
Children's benefits	1,017	1,029	1,025	1,019	2,042	2,048	0.3
Total	5,173	5,733	4,756	5,750	9,929	11,483	15.7
Transfers to other levels of government							
Support for health and other social programs							
Canada Health Transfer	1,886	2,040	1,886	2,039	3,772	4,079	8.1
Canada Social Transfer	880	905	880	905	1,760	1,810	2.8
Total	2,766	2,945	2,766	2,944	5,532	5,889	6.5
Fiscal transfers	1,450	1,626	1,449	1,551	2,899	3,177	9.6
Canada's cities and communities	0	957	0	0	0	957	n/a
Alternative Payments for Standing Programs	-219	-224	-220	-224	-439	-448	2.1
Total	3,997	5,304	3,995	4,271	7,992	9,575	19.8
Subsidies and other transfers							
Agriculture and Agri-Food	94	88	50	83	144	171	18.8
Foreign Affairs and International Trade	197	131	285	457	482	588	22.0
Health	157	195	223	235	380	430	13.2
Human Resources and Skills Development	122	137	103	92	225	229	1.8
Indian Affairs and Northern Development	659	688	377	305	1,036	993	-4.2
Industry	136	141	95	50	231	191	-17.3
Other	834	1,142	620	1,566	1,454	2,708	86.2
Total	2,199	2,522	1,753	2,788	3,952	5,310	34.4
Total transfer payments	11,369	13,559	10,504	12,809	21,873	26,368	20.6
Other program expenses							
Crown corporation expenses							
Canadian Broadcasting Corporation	93	88	93	87	186	175	-5.9
Canada Mortgage and Housing Corporation	133	143	301	151	434	294	-32.3
Other	543	568	320	377	863	945	9.5
Total	769	799	714	615	1,483	1,414	-4.7
Defence	1,261	1,302	1,341	1,407	2,602	2,709	4.1
All other departments and agencies	3,195	3,121	3,405	3,302	6,600	6,423	-2.7
Total other program expenses	5,225	5,222	5,460	5,324	10,685	10,546	-1.3
Total program expenses	16,594	18,781	15,964	18,133	32,558	36,914	13.4
Public debt charges	2,813	2,660	2,605	2,494	5,418	5,154	-4.9
Total expenses	19,407	21,441	18,569	20,627	37,976	42,068	10.8

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	April		May		April to May	
	2008	2009	2008	2009	2008–2009	2009–2010
			($ millions)			
Budgetary balance (deficit/surplus)	-1,075	-3,982	200	-3,543	-875	-7,525
Non-budgetary transactions						
Capital investing activities	-104	168	33	10	-71	178
Other investing activities	-2,773	-2,278	-4,737	-2,184	-7,510	-4,462
Pension and other liabilities	361	349	468	485	829	834
Other activities						
Accounts payable, receivables, accruals and allowances	-7,013	-7,325	1,278	-464	-5,735	-7,789
Foreign exchange activities	-129	3,533	232	1,533	103	5,066
Amortization of tangible capital assets	296	306	277	300	573	606
Total other activities	-6,846	-3,486	1,787	1,369	-5,059	-2,117
Total non-budgetary transactions	-9,362	-5,247	-2,449	-320	-11,811	-5,567
Financial source/requirement	-10,437	-9,229	-2,249	-3,863	-12,686	-13,092

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	April		May		April to May	
	2008	2009	2008	2009	2008–2009	2009–2010
			($ millions)			
Financial source/requirement	-10,437	-9,229	-2,249	-3,863	-12,686	-13,092
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	622	1,495	4,805	7,859	5,427	9,354
Treasury bills	6,000	-8,300	5,300	-2,200	11,300	-10,500
Canada Savings Bonds	-2	73	-19	-12	-21	61
Other	-2	-2	-143	-4	-145	-6
Total	6,618	-6,734	9,943	5,643	16,561	-1,091
Foreign currency borrowings	170	-2,365	-623	-532	-453	-2,897
Total	6,788	-9,099	9,320	5,111	16,108	-3,988
Cross-currency swap revaluation	-781	-2,274	-511	-2,184	-1,292	-4,458
Unamortized discounts on debt issues	175	-12	-87	154	88	142
Obligations related to capital leases	-9	-13	-32	-28	-41	-41
Net change in financing activities	6,173	-11,398	8,690	3,053	14,863	-8,345
Change in cash balance	-4,264	-20,627	6,441	-810	2,177	-21,437

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Phil King at 613-992-3448.
Ce document est également offert en français.
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